High Liner

ANNUAL REPORT 1973

NATIONAL SEA PRODUCTS LIMITED

NATIONAL SEA PRODUCTS LIMITED

ANNUAL REPORT / 1973

COMPARATIVE HIGHLIGHTS

	1973	1972
Sales and other Revenue	**$89,409,285**	$69,319,015
Net Income	**$ 3,815,687**	$ 1,803,660
Earnings per average number of Common Shares outstanding	**$ 2.43**	$ 1.13
Dividends paid per Common Share A	**47¢**	44¢
Dividends paid per Common Share B	**39.9¢**	—
Cash Flow	**$ 9,882,207**	$ 4,848,280
Cash Flow per Common Share	**$ 6.49**	$ 3.17
Working Capital	**$10,895,000**	$ 7,961,663
Ratio of Current Assets to Current Liabilities	**1.62**	1.45
Fixed Assets, net of depreciation	**$28,483,572**	$25,504,204
Common Shareholders' Equity	**$20,140,494**	$17,210,658

Valuation Day Price (December 22, 1971)

Common Shares	$9.50
Preference Shares (5½%)	$3.25


HIGH LINER

ABOVE

"Cape Fox", the first of six new stern fishing trawlers delivered to our St. John's Plant in 1973. Trawlers of the "Fox" class are 150 feet in length and have a carrying capacity of 450,000 pounds of iced fish.

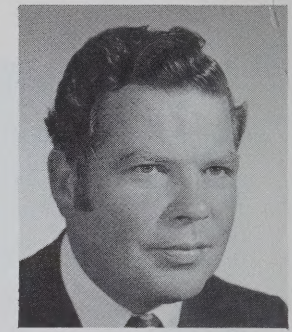
LEFT

Aerial photo of St. John's Plant. The main building covers more than 35,000 square feet. The plant has an annual production capacity of approximately 50,000,000 pounds and employs over 400 people.

NATIONAL SEA PRODUCTS LIMITED

HEAD OFFICE — DUKE STREET TOWER
SCOTIA SQUARE
HALIFAX, NOVA SCOTIA

*H. P. Connor



*W. O. Morrow

BOARD OF DIRECTORS

*H. P. CONNOR, Halifax
FRANK M. COVERT, Q.C., Halifax
A. CUNNINGHAM, Halifax
*J. B. ESTEY, Halifax
*C. R. MACFADDEN, Halifax
C. J. MORROW, Lunenburg
*J. B. MORROW, Lunenburg
*W. O. MORROW, Halifax
C. C. PRATT, St. John's
H. D. PYKE, Lunenburg
The Hon. H. J. ROBICHAUD, Fredericton
F. W. RUSSELL, St. John's
DAVID W. SMITH, South Carolina
P. J. SMITH, Annapolis Royal
R. G. SMITH, Halifax
W. W. SMITH, Lunenburg

*Member of the Executive Committee

OFFICERS

H. P. CONNOR	Chairman of the Board Chairman of Executive Committee
W. O. MORROW	President and Chief Executive Officer
J. B. ESTEY	Executive Vice President
A. CUNNINGHAM	Vice President, By Products
C. R. MACFADDEN	Vice President, Finance and Treasurer
J. B. MORROW	Vice President, Production
I. H. LANGLANDS	Vice President, Development
P. R. SMITH	Vice President, Marketing
M. L. PITMAN	Comptroller
F. D. MCGEE	Secretary and Company Solicitor
J. C. WENNING	Assistant Treasurer

SUBSIDIARY COMPANIES

NATIONAL SEA PRODUCTS (U.S.) CORP. LIMITED
Tampa, Florida

NATIONAL SEA PRODUCTS INCORPORATED
Rockland, Me.

NATLAKE LIMITED
Burgeo, Nfld.

McDERMAID AGENCIES LIMITED
Halifax, Nova Scotia

AUDITORS: Clarkson, Gordon & Co.
Chartered Accountants

TRANSFER AGENTS:
Common Shares
The Montreal Trust Company

Preference Shares
The Company, Secretary's Office
P.O. Box 2130, Halifax, N.S.

BANKERS: The Royal Bank of Canada
The Bank of Nova Scotia

REPORT OF DIRECTORS

TO THE SHAREHOLDERS

The Board of Directors of National Sea Products Limited is pleased to present the Annual Report of the operations and financial position of your Company for the year ended August 31, 1973.

All sectors of the Company made an increased contribution, resulting in record sales and earnings.

SALES

Sales and other revenue amounted to $89,409,285, compared to $69,319,015 a year ago, an increase of 29%.

FINANCIAL RESULTS

Net Profit for the year of $3,815,687 showed a substantial increase over 1972 earnings of $1,803, 660. Better landings and the upward trend in world fishery prices were the main factors contributing to the improvement.

Common share earnings after providing for Preferred Dividends were $2.43 per share, compared with $1.13 last year. Cash flow amounted to $6.49 per share, compared with $3.17 in 1972.

CAPITAL EXPENDITURES AND DEPRECIATION

This past year was again one in which heavy capital expenditures were made, amounting to $7,666,572, net after Government grants, and approximately the same as last year. $5,669,856 was spent on additions to our fleet and $1,996,716 on improvements and modernization programs at our various plants, that have brought about greater efficiency.

Depreciation of fixed assets was $2,903,360, compared to $2,046,020 last year.

FINANCIAL POSITION

The $974,454 of Subordinated Preference Shares issued by the Company as interim financing in 1972 and early 1973 were redeemed during the year.

Additions to long term debt in the form of trawler mortgages amounted to $4,024,433. After providing $1,648,204 for current instalment repayments, our long term indebtedness totalled $15,519,177.

Working capital increased by $2,933,337 to a new high of $10,895,000.

Item No. 8(a) in "Notes to Consolidated Financial Statements" refers to income taxes and is similar to the note that has appeared on this subject for the past three years. There is little new to report as this matter is still under appeal.

DIVIDENDS

Semi-annual dividends on the Preference Shares were paid in January and July at the rate of 5½% per annum, and in addition dividends of $78,012 were paid on the Subordinated Preference Shares. Common Dividends of 47¢ per share were paid on the Convertible Class "A" Common Shares and 39.9¢ per share were paid on the Convertible Class "B" Common Shares.

PROFIT SHARING FUND

We are particularly pleased to report that the Company's contribution to the Employees' Savings and Profit Sharing Retirement Fund was $769,299, the largest amount since the Plan commenced eleven years ago. The number of employees belonging to this voluntary Plan has increased again during the year and we continue to stress the value of this Plan to all employees.

OPERATIONS

While all sectors of the Company made a contribution to earnings, a 23% increase in fish landings was the most significant factor in the improvement of earnings. Food fish landings this year totalled 241,600,000 pounds, compared with 196,100,000 pounds a year ago.

Our new plant in St. John's, Newfoundland, came into full production and made a positive contribution to earnings during the year.

The results of our U.S.A. Companies were gratifying, showing a considerable improvement over recent years.

Investment Income, mainly the underwriting and investment income of the Bermudian insurance company, showed a slight improvement over last year. The volume of business in Bermuda continues to grow satisfactorily.

By-Products made a record contribution to profits. Worldwide shortages of protein for livestock and poultry feeds substantially enhanced the value of fish meal. A significant increase also took place in the market price of marine oils.

During the coming year we will continue our modernization program of both our fleet and plant facilities.

TRAWLER PROGRAM

During the year we took delivery of the six new CAPE FOX CLASS trawlers, built to service the St. John's plant. These trawlers, which are modern in every respect, have more than lived up to expectations and their catches have been above the industry's average for such type of ship. Unfortunately, in January one of these trawlers, the CAPE BRULE, was lost off the Island of Miquelon. Fortunately, the entire crew were saved, but loss of this ship was a serious blow to the Company. We are, however, fortunate in being able to make arrangements for its replacement by December of this year. We also purchased another sister ship which joined the Nova Scotia fleet in September.

During the coming year we plan to commence the construction of two additional trawlers, which will be identical to the CAPE FOX CLASS. The price of these new trawlers has escalated by 35% in the last two years, showing the effect of inflation, foreign exchange and other costs in our industry.

We are also considering a new type of trawler equipped to freeze fish at sea for later processing ashore. Such a vessel would enable us to fish farther afield and in areas where we are not catching the quotas that have been allocated to Canada, and would also permit us to fish for species not presently being caught by Canadian fishermen, and for which there are foreign markets.

INDUSTRIAL RELATIONS

In the past fiscal year collective agreements of two years' duration with our fishermen in Nova Scotia and Newfoundland were negotiated, as well as with plant workers in Shippegan, Summerside and Pictou. Three of these were first contracts, while two were renewals of previous contracts. All were signed without work stoppage, and we feel that this is an indication of our earnest and continuing efforts to achieve sound labour/management relations throughout the Company.

We are presently negotiating new contracts with our plant employees and scallop fishermen in Nova Scotia, as well as with our plant employees at Rockland, Maine, and Burgeo, Newfoundland. The plant employees' contract in St. John's will also be re-negotiated in the coming fiscal year. The pressures for higher wages are evident throughout the country and our salaries and wages must be competitive as well as fair to our employees.

THE RESOURCE

The conservation and management of the East Coast fishery resource continues to be of vital concern to our industry. At the last meeting of the International Commission on Northwest Atlantic Fisheries, Canada was successful in negotiating larger quotas than ever before, and was the only nation of the seventeen participants to be given increased quotas.

Preparations continue for the Law of the Sea Conference, to be held in 1974. We are pleased that the industry's views are sought by our Government and that both industry and Government agree as to what Canada's fisheries objectives should be at the Conference. It is particularly encouraging to learn that the Government is optimistic concerning a favourable outcome for Canada.

GENERAL

The record earnings for the year were the result of numerous factors, including the expansion and modernization over the past few years of your Company's facilities; improvement in fishing techniques; good fish catches and a continuing upward trend in world prices of fishery products.

When the income tax rates were reduced this year, the Federal Government expressed the hope that it would encourage companies to reinvest additional earnings in the further expansion, upgrading and development of their businesses. Your Company plans to follow this suggestion and this year will reinvest considerably more than the increased earnings, so that our operations can continue to grow and we can

make an even greater contribution to the Canadian economy. By expanding and modernizing our facilities your Company will continue to provide additional employment opportunities.

The Canadian Government's policy of lower taxes and accelerated capital cost allowances on processing equipment for manufacturing industries has assisted us to expand and keep pace with our foreign competitors. A continuation of this policy, or similar policies, on a long term basis would result in many more jobs in the fishing industry in the Atlantic area. Unfortunately, the short term nature and uncertainty of the present policies makes long range planning very difficult if not almost impossible.

DIRECTORS

Mr. Andrew Cunningham, a Director since 1954, and Vice-President, By-Products since 1965, will retire on December 31 after 41 years of excellent service to the Company and to the industry. He has decided not to offer for re-election to the Board as one of the steps in a planned retirement. Mr. Cunningham's experience, knowledge and genial personality will be greatly missed, not only by the Company, but by all of those who associated with him daily.

In June of this year, Mr. Calvert C. Pratt and Mr. Fred W. Russell of St. John's, Newfoundland, joined your Board of Directors. Your Company now has a large investment in the Province of Newfoundland and Board representation from this area is most desirable. Mr. Pratt and Mr. Russell, who have a wide business background and experience, will undoubtedly make a valuable contribution to your Board.

APPRECIATION

The Board of Directors would like to express on behalf of all shareholders, appreciation to each of our employees, numbering well over 5,000, and to each of our 700 trawler fishermen, as well as to the several thousand inshore fishermen who provide us with much of our raw material. Their co-operation and dedication makes it possible for us to make a success of this business.

OUTLOOK

In looking at the future, we must consider current inflationary trends, not only in Canada but throughout the world, and the effects that inflation will have on our costs. The main problem facing us is to keep seafoods competitive with other protein foods. We are confident that with the support and co-operation of our employees, fishermen, customers and suppliers, as well as our shareholders, we will meet the challenges facing us and we look forward to another year of progress.

On behalf of the Board of Directors,

W.O. Morrow

W. O. Morrow
President

Halifax, N.S.
October 31, 1973

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ASSETS

	1973	1972
Current:		
Cash	$ 547,697	$ 367,347
Accounts receivable — trade	8,755,211	7,625,250
Accounts receivable – fishermen, government grants and other (note 2)	1,900,802	4,511,182
Income taxes refundable	—	121,832
Inventories of marketable products and supplies valued at the lower of cost or net realizable value	16,795,536	12,343,816
Prepaid expenses	535,010	571,171
Total current assets	28,534,256	25,540,598
Fixed (note 3)	28,483,572	25,504,204
Other:		
Investments in trawler companies	215,301	377,351
Investments in shares (note 4)	2,956,018	2,606,123
Sundry investments, government grants receivable and goodwill	1,103,325	750,434
	4,274,644	3,733,908
	$61,292,472	$54,778,710

On behalf of the Board:
H. P. Connor, Director
W. O. Morrow, Director

See accompanying no

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f the Province of Nova Scotia)

ary companies

Balance Sheet

, 1973
s at August 31, 1972)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1973	1972
Current:		
Bank indebtedness	$ 7,308,183	$ 9,491,502
Notes payable	300,000	924,953
Accounts payable and accrued charges	8,195,236	5,773,770
Income taxes payable	187,633	—
Instalments on long-term debt due within one year	1,648,204	1,388,710
Total current liabilities	17,639,256	17,578,935
Long-term debt (notes 5 and 6)	15,519,177	13,142,948
Deferred income taxes (note 8)	6,064,170	3,977,860
Shareholders' equity (note 6):		
Capital -		
385,875 Preference shares	1,929,375	1,929,375
938,934 Subordinated preference shares	—	938,934
1,493,293 Common shares	4,812,201	4,812,201
	6,741,576	7,680,510
Contributed surplus	1,137,730	1,137,730
Retained earnings (note 8)	14,190,563	11,260,727
Total shareholders' equity	22,069,869	20,078,967
	$61,292,472	$54,778,710

o financial statements

NATIONAL SEA PRODUCTS LIMITED

and its subsidiary companies

Statements of Consolidated Income and Retained Earnings

for the year ended August 31, 1973
(with comparative figures for the year ended August 31, 1972)

		1973	1972
STATEMENT OF INCOME	Net sales	$89,409,285	$69,319,015
	Cost of sales	71,321,032	58,290,045
		18,088,253	11,028,970
	Selling, general and administrative expenses	6,737,418	5,421,015
	Income from operations before the following	11,350,835	5,607,955
	Add:		
	Investment income	277,089	253,634
		11,627,924	5,861,589
	Deduct:		
	Interest on long-term debt	1,031,578	719,280
	Contribution to Employees' Savings and Profit Sharing Retirement Fund	769,299	309,629
	Provision for depreciation	2,903,360	2,046,020
		4,704,237	3,074,929
	Income before income taxes	6,923,687	2,786,660
	Provision for income taxes (note 8)	3,108,000	983,000
	Net income for the year (note 8)	$3,815,687	$1,803,660
	Earnings per common share	$2.43	$1.13
	Fully diluted earnings per common share assuming conversion of debentures	$2.28	$1.08
RETAINED EARNINGS	Balance, beginning of year	$11,260,727	$10,225,506
	Add net income for the year	3,815,687	1,803,660
		15,076,414	12,029,166
	Dividends:		
	Preference	184,129	111,390
	Common	701,722	657,049
		885,851	768,439
	Balance, end of year	$14,190,563	$11,260,727

See accompanying notes to financial statements

NATIONAL SEA PRODUCTS LIMITED

and its subsidiary companies

Statement of Consolidated Source and Application of Funds

for the year ended August 31, 1973
(with comparative figures for the year ended August 31, 1972)

		1973	1972
SOURCE OF FUNDS	Net income for the year	$ 3,815,687	$ 1,803,660
	Add charges not represented by cash outlay during the year -		
	Depreciation	2,903,360	2,046,020
	St. John's pre-production costs	348,048	—
	Portion of tax provision applicable to future years	2,815,112	998,600
	Total funds provided from earnings	9,882,207	4,848,280
	Issue of subordinated preference shares	35,520	938,934
	Increase in mortgages	4,024,433	2,311,591
	Federal grant	—	67,099
	Disposal of fixed assets	1,435,796	117,675
	Total funds provided	15,377,956	8,283,579
APPLICATION OF FUNDS	Additions to fixed assets (net of government grants, $526,240; 1972, $1,374,925)	7,666,572	7,714,674
	Instalments on long-term debt due within one year	1,648,204	1,388,710
	Dividends paid	885,851	768,439
	Payment of prior years income taxes (note 8)	728,802	—
	Increase in other assets	540,736	908,906
	Preference shares redeemed	974,454	—
	Other	—	54,072
	Total funds applied	12,444,619	10,834,801
	Resulting in an increase (decrease) in working capital during the year of	2,933,337	(2,551,222)
	Working capital, beginning of year	7,961,663	10,512,885
	Working capital, end of year	$10,895,000	$ 7,961,663

See accompanying notes to financial statements

NATIONAL SEA PRODUCTS LIMITED

and its subsidiary companies

Notes to Consolidated Financial Statements

August 31, 1973

1. Accounting policies
   (a) Basis of consolidation
   The accompanying financial statements consolidate the accounts of the Company and all its subsidiaries.

   (b) Exchange translation
   The financial statements of foreign subsidiaries have been translated into Canadian dollars as follows: current assets and current liabilities at exchange rates prevailing at the end of the year; non-current assets, long-term debt and depreciation provisions on the basis of rates in effect at the date of acquisition; income and expenses (other than depreciation provisions) at average exchange rates prevailing during the year.

   (c) Fixed assets
   Fixed assets are carried at cost. Depreciation of fixed assets is provided on the straight-line method at the following rates:

Brick buildings	4%
Wooden buildings and wharves	5%
Machinery and equipment	5% and 10%
Trawlers	8% for 5 years 6% for 10 years
Other	10% to 25%

   (d) Investments in shares
   These investments represent companies in which National Sea Products Limited has a substantial interest and are carried at National's equity in their net assets; current income is recognized on the basis of National's share of their net earnings.

   (e) Goodwill
   Goodwill arising from the acquisition of a business is recorded at cost and is being written off on the straight-line basis at a rate of 10% per annum.

2. Accounts receivable — fishermen, government grants and other
   Accounts receivable include federal government grants and advances to contractors pending receipt of government grants in the amounts of $106,000 and $170,000 respectively. (1972, $1,386,000 and $788,000)

3. Fixed assets
   Major categories of fixed assets are:

	1973	1972
Land, buildings, wharves, machinery and other	$28,914,698	$25,503,144
Trawlers	23,402,564	14,914,020
	52,317,262	40,417,164
Less accumulated depreciation	23,833,690	21,399,292
	28,483,572	19,017,872
St. John's — plant and related trawlers under construction	—	6,486,332
	$28,483,572	$25,504,204

4. Investments in shares
   The net assets of these companies include a claim receivable of approximately $200,000 which the directors of the subject company, supported by advice of legal counsel, are of the opinion will be successfully sustained. Some of the companies have also invested a total of approximately $200,000 in research projects which have not as yet been completed or become commercially operational.

5. Long-term debt
   Particulars of long-term debt are:

Secured —	1973	1972
First Mortgage and Collateral Trust Bonds:		
*5¾% serial series "A" due 1974	$ 100,000	$ 200,000
*6% serial series "A" due 1975-1979	500,000	500,000
*7% serial series "B" due 1974-1977	1,600,000	1,800,000
	2,200,000	2,500,000
Trawler mortgage loans:		
4½% due semi-annually to 1974	4,110	—
5½% due semi-annually to 1974	35,628	71,253
4½% due semi-annually to 1975	5,928	9,880
4½% due semi-annually to 1976	30,446	—
5½% due semi-annually to 1978	315,354	313,636
4% due annually to 1978	104,984	131,234
5½% due semi-annually to 1979	412,461	509,902
5½% due semi-annually to 1980	217,753	204,482
6% due monthly to 1980	27,690	—
5½% due semi-annually to 1981	181,813	—
6½% due semi-annually to 1981	48,146	—
5½% due semi-annually to 1982	144,832	—
6½% due semi-annually to 1983	2,295,342	2,513,856
7½% due semi-annually to 1988	1,099,350	—
8⅝% due semi-annually to 1991	4,423,730	2,172,045
	9,347,567	5,926,288

Other:		
6% first mortgage bonds due quarterly to 1974	**25,000**	45,000
3% mortgage due annually to 1976	**143,182**	190,909
6% mortgage due semi-annually to 1976	**240,000**	320,000
8½% mortgage due semi-annually to 1984	**1,155,163**	1,216,737
8% mortgage due semi-annually to 1988	**1,462,500**	1,557,500
Miscellaneous	**—**	42,917
	3,025,845	3,373,063
Unsecured —		
*6¼% Convertible Subordinated Sinking Fund Debentures Series "A" due 1981	**2,469,000**	2,544,000
11¼% term bank loan due $60,000 U.S. annually to 1975	**124,969**	188,307
	2,593,969	2,732,307
	17,167,381	14,531,658
Less instalments due within one year included in current liabilities	**1,648,204**	1,388,710
	$15,519,177	$13,142,948

*The bond and debenture holders have agreed that certain covenants relating to incurring further long-term debt would be made less restrictive in consideration for a ½% increase in the interest rate on the bonds and debentures. The above listed interest rates will therefore be increased by ½%, effective September 15, 1973.

Principal and sinking fund payments required in each of the next five years:

1974	$1,650,000
1975	1,650,000
1976	1,950,000
1977	1,850,000
1978	1,300,000

6. Shareholders' equity

(a) Details of share capital are:

	Authorized Shares	Issued Shares	Issued $
5½% Class C cumulative redeemable convertible preference shares of a par value of $5 each, redeemable at par	600,000	343,440)	
		)	1,929,375
5½% Class D cumulative redeemable convertible preference shares of a par value of $5 each, redeemable at par	400,000	42,435)	
Subordinated redeemable preference shares of a par value of $1 each, redeemable at par	2,000,000	—	—
Class A convertible common shares, no par value	3,000,000	1,262,193)	
		)	4,812,201
Class B convertible common shares, no par value	3,000,000	231,100)	
			$6,741,576

The Class A common shares and Class B common shares rank equally and are inter-convertible at the option of the shareholder on a 1 for 1 basis. Similarly, the Class C preference shares and Class D preference shares rank equally and are inter-convertible at the option of the shareholder on a 1 for 1 basis. Dividends paid on Class B common and Class D preference shares, however, may be paid out of tax paid undistributed surplus or 1971 capital surplus provided that an equivalent amount is received by each of the common and preference shareholders.

(b) Conversion privileges

Each $1,000 principal amount of 6¼% Convertible Sinking Fund Debentures Series "A" due 1981 is convertible into 57 common shares of the Company up to March 15, 1976.

(c) Changes in issued capital during the year:

(i) 35,520 subordinated preference shares (at an agreed dividend rate of 8½% per annum) were issued for cash.

(ii) 974,454 subordinated preference shares were redeemed at their par value of $1 each. In accordance with the provisions of the Nova Scotia Companies' Act, retained earnings in the amount of $974,454 is reserved in a capital redemption reserve fund.

(d) Trust-deed restrictions

The Trust-Deed securing the First Mortgage and Collateral Trust Bonds and the Trust Indenture under which the 6¼% Convertible Sinking Fund Debentures Series "A" are issued contain certain restrictions including, among others, restrictions as to the payment of dividends, reduction of capital, and retirement of sinking fund debentures in the event of consolidated working capital (defined to exclude long-term debt due within one year) being less than $6,000,000 or consolidated retained earnings being less than $4,200,000.

7. Commitments

(a) Rentals aggregating approximately $300,000 per annum through 1993 are payable under long-term leases for facilities in Montreal and Lunenburg.

(b) Varying annual payments, not to exceed $300,000 (plus varying interest — currently 9¾%), are payable under an agreement to rent a herring reduction plant in Burgeo, Newfoundland. The annual rental is designed to amortize the financing which was required for the plant construction. The balance of financing of $1,000,000 is to be fully amortized by 1977.

8. Contingencies

(a) As noted last year, the Department of National Revenue issued notices of reassessment for the period 1966-69 inclusive. During the 1973 fiscal year the Department issued additional notices of reassessment for the years 1970 and 1971. The Company's professional advisors continue to be of the opinion that the reassessments should be appealed and that no provision for additional income taxes is necessary in the financial statements. Accordingly, the Company has filed appeals in the Federal Court of Canada in respect to 1966 to 1969 and Notices of Objection relative to 1970 and 1971, and has not made a provision for income taxes relative thereto.

If each of the various principles on which the reassessments are based was to be upheld in its entirety, the effect would be to increase the provision for income taxes and to reduce net income by approximately \$400,000 for 1973, \$400,000 for 1972, \$400,000 for 1971, \$500,000 for 1970, \$300,000 for 1969 and \$2,100,000 for prior years.

Because of the availability of capital cost allowances, only \$925,642 has become payable for reassessed income taxes. This amount has been paid and deferred income taxes reduced by a corresponding amount. In respect to amounts which may be reassessed for 1972 and 1973, \$700,000 and \$1,875,000 respectively would become currently payable. The balance of taxes would become payable only as and when recorded depreciation exceeds capital cost allowances now available and becoming available from future capital expenditures.

(b) Guarantees of suppliers (including fishermen's notes and mortgages) amount to approximately \$391,000.

9. Statutory information

Remuneration of Directors and senior officers was \$326,000. (1972 — \$313,000)

10. Comparative figures

Certain of the 1972 figures have been restated so as to conform the presentation with that followed in 1973.

AUDITORS' REPORT

To the Shareholders of
National Sea Products Limited:

We have examined the consolidated balance sheet of National Sea Products Limited and its subsidiary companies as at August 31, 1973 and the statements of consolidated income and retained earnings and source and application of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to successful appeal from the re-assessments of income tax described in note 8 to the consolidated financial statements, and according to the best of our information and the explanations given to us, and as shown by the books of the companies, the accompanying consolidated balance sheet and statements of consolidated income and retained earnings and source and application of funds are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at August 31, 1973, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants

Halifax, Canada
October 19, 1973

NATIONAL SEA PRODUCTS LIMITED

and its subsidiary companies

Comparative Financial Information for 1969–73

(all amounts are expressed in thousands, except as indicated †)

		1973	1972	1971	1970	1969
Working Capital	$	10,895	7,962	10,513	8,314	8,572
Plant, Equipment, Trawlers and other Fixed Assets after Depreciation	$	28,484	25,504	19,899	18,093	17,700
Total Assets	$	61,292	54,779	48,188	42,095	38,218
Accumulated Deferred Income Taxes	$	6,064	3,978	2,979	2,392	1,722
Long Term Debt	$	15,519	13,143	12,220	11,099	10,681
Shareholders' Equity:						
Preference Shares	$	1,929	1,929	1,929	1,929	1,929
Second Preference Shares	$	—	—	—	169	1,300
Subordinated Preference Shares	$	—	939	—	—	—
Common Shares	$	4,812	4,812	4,812	2,729	2,729
Contributed Surplus	$	1,138	1,138	1,071	969	795
*Retained Earnings	$	14,191	11,261	10,226	9,195	7,917
Total Shareholders' Equity	$	22,070	20,079	18,038	14,991	14,671
Additions to Plant, Equipment, Trawlers and other Fixed Assets during the Year	$	7,667	7,715	3,739	2,201	2,874
Fish Landings (lbs)		242,000	196,000	192,000	186,000	197,000
Herring Purchased for Reduction (lbs)		17,000	52,000	98,000	143,000	87,000
Net Sales	$	89,409	69,319	63,363	64,950	61,684
Depreciation	$	2,903	2,046	1,871	1,879	1,666
Income Taxes	$	3,108	983	718	1,012	922
*Net Income	$	3,816	1,804	1,678	1,866	1,352
Dividends on Preference Shares	$	184	111	112	194	106
Dividends on Common Shares	$	702	657	535	395	179
*Earnings Retained in Business for Expansion	$	2,930	1,035	1,031	1,278	1,066
*Earnings per average number of Common Shares Outstanding	†	$2.43	$1.13	$1.19	$1.40	$1.04
Common Dividends paid per share — Class A	†	47¢	44¢	42¢	33¢	15¢
Common Dividends paid per share — Class B	†	39.9¢	—	—	—	—
*Earnings as a Percentage of Sales	†	4.3%	2.6%	2.6%	2.9%	2.2%
Cash Flow per average number of Common Shares Outstanding	†	$6.49	$3.17	$3.04	$3.61	$3.22
Number of Common Shares Outstanding at Year End	†	1,493,293	1,493,293	1,493,293	1,196,143	1,196,143

*1970 and 1969 do not reflect the change adopted in 1972 for the equity method of accounting for investment income.

High Liner

National Sea Products Limited
Halifax, Nova Scotia